



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

April 24, 2013

To: Audit Committee

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

BOARD POLICY REVIEW - 4.010: ADMINISTRATIVE POLICY ON INTERDEPARTMENTAL BILLING AND ARBITRATION

As required by Board Policy and in response to the request from the Executive Office, our Office in collaboration with the Auditor-Controller, reviewed *Board Policy 4.010 – Administrative Policy On Interdepartmental Billing And Arbitration*. At this time, we are recommending only one change to extend the sunset review date four more years to August 12, 2017.

If you have any questions regarding this memorandum, please contact Linh Mok at (213) 974-1339 or lmok@ceo.lacounty.gov.

WTF:GS
LM:cg

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller

K:\Assignments\Board Policy 4.010\04.24.13 Sunset Review Policy 4.010.Docx



Los Angeles County BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
4.010	Administrative Policy On Interdepartmental Billing And Arbitration	10/11/96

PURPOSE

Provides a billing process that is equitable and efficient for all County Departments. This policy will hold the department providing and the department receiving the service jointly responsible for ensuring that the appropriate amount for services is encumbered and adjusted, as necessary, during the fiscal year.

REFERENCE

October 11, 1996 Task Force Report Approved by the Board, "[Countywide Billing and Cost Recovery](#)"

August 12, 1997 Auditor-Controller and Chief Administrative Officer Joint Signature Memorandum, "[Administrative Policy on Interdepartmental Billing and Arbitration](#)"

POLICY

Implementation is effective beginning with the Fiscal Year 1997-98 billings.

- Encumbering Departmental Services: Departmental services should be encumbered at the beginning of the fiscal year to ensure budgeted funds are reserved for their intended purpose. *The servicing department should not perform services without a pre-approved encumbrance. The receiving department is primarily responsible, with the assistance of the servicing department, for ensuring that the appropriate amount is encumbered and adjusted, as necessary, during the fiscal year.* Disagreements regarding the encumbered amount should be brought to the immediate attention of each department's CEO budget analyst for resolution of the issue. The receiving department should obtain budget adjustments during the fiscal year when appropriations are insufficient to pay for services requested from the servicing department. Failure to obtain the necessary funding will not release the receiving department from its obligation to pay for services received.
- Billing Time Frame: Departments rendering services must bill departments receiving services within 60 days following the end of the month in which service was provided or within 60 days of receiving vendor invoices, whichever is later. Charges for services not billed within the 60-day time frame, as stipulated, are uncollectable unless the receiving department agrees to accept the charges.

- Departmental billings, at a minimum, must identify the type of service, units of service, unit cost, period of service, current month and year-to-date charges, and a description of the service provided, unless both the servicing and receiving departments mutually agree to another format. The eCAPS Internal Billing process must be used for billing and the 60-day time frame adhered to unless otherwise pre-approved by the Auditor-Controller.
- Acceptance of Charges: The receiving department has 30 days from receipt of the billing information to accept or reject charges. The Auditor-Controller will automatically process charges that the receiving department has not acted upon within the 30-day period. If charges are to be rejected, the receiving department must provide written notice to the Auditor-Controller and the servicing department. The signature on the written notice must be at the head financial officer level or higher. Each department must identify in writing and file with the Auditor-Controller's Accounting Division; the names of personnel authorized to reject charges.
- Disputes/Arbitration: The Auditor-Controller will notify each affected department head of the disputed charge(s), by sending a Notification of Rejected Charges form, advising that they have 15 days to reach an agreement. After the 15-day period has expired without such an agreement, the Auditor-Controller will transmit the rejected charges to the Arbitration Committee for resolution. Statements from the affected departments will also be transmitted, if received by the end of the 15-day period.
- Billing Adjustment: Departments providing services will experience over- or under-recovery of actual costs unless billing adjustments are made during the fiscal year. In order to accurately recover costs, servicing departments must reconcile billings compared to costs periodically throughout the fiscal year and, at a minimum, process adjustments as of December 31, March 31, and the end of the fiscal year. The Auditor-Controller will assist the larger servicing departments to develop plans detailing the level where adjustments must be made. These adjustments consisting of rebates (refund of charges in excess of costs) or surcharges, must be calculated proportionately based on the ratio of actual billings to costs.
- OMB A-87 Compliance: All charges must be in compliance with the federal Office of Management and Budget (OMB) regulation A-87, Cost Principles for State, Local, and Indian Tribal Governments. Servicing departments must also maintain adequate cost accounting data to support the accuracy of their charges, and their accounting system should record revenues and expenditures at the lowest practical organization level (usually at the divisional level) within the department.
- ISD/DPW Fixed Fee Billings: Receiving departments may continue to make fixed fee billing arrangements for work performed by ISD and/or DPW. The pre-arranged amount billed must be based on reasonable estimates of cost.
- Final-Month Charges: Delivery of final-month billings must be submitted to the receiving department and the Auditor-Controller Accounting Division in accordance with the annual closing instructions. Rejection of final-month charges must adhere to general guidelines; however, time frames will be specified in the annual closing instructions.

RESPONSIBLE DEPARTMENT

Auditor-Controller
Chief Executive Office

DATE ISSUED/SUNSET DATE

Issue Date: August 12, 1997
Review Date: September 20, 2001
Review Date: July 21, 2005
Review Date: May 21, 2009
Review Date: May 23, 2013

Sunset Review Date: August 12, 2001
Sunset Review Date: August 12, 2005
Sunset Review Date: August 12, 2009
Sunset Review Date: August 12, 2013
Sunset Review Date: August 12, 2017